

**Louisiana Schools Self-Insured Group
Baton Rouge, Louisiana
June 30, 2012**

Table of Contents

| | | |
|---|------|----|
| Independent Auditor's Report | Page | 3 |
| Management's Discussion and Analysis | Page | 5 |
| Financial Statements | | |
| Balance Sheets | Page | 7 |
| Statements of Revenues, Expenses and Change in Net Assets | Page | 8 |
| Statements of Cash Flows | Page | 9 |
| Notes to Financial Statements | Page | 10 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | Page | 12 |
| Schedule of Current Year Audit Findings and Questioned Costs | Page | 14 |
| Schedule of Prior Year Audit Findings and Questioned Costs | Page | 15 |

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

December 20, 2012

Independent Auditor's Report

Insurance Committee
Louisiana Schools Self-Insured Group
Baton Rouge, Louisiana

We have audited the accompanying balance sheets of

**Louisiana Schools Self-Insured Group
(a non-profit organization)**

as of June 30, 2012 and 2011, and the related statements of revenues, expenses and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of Louisiana Schools Self-Insured Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Schools Self-Insured Group as of June 30, 2012 and 2011, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of Louisiana Schools Self-Insured Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Weymouth & Carroll L.L.P.

**Louisiana Schools Self-Insured Group
Management's Discussion and Analysis
June 30, 2012**

The following is management's discussion and analysis of the financial performance of Louisiana Schools Self-Insured Group ("the Group") for the fiscal years ended June 30, 2012, 2011, and 2010. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements and notes to the financial statements for the current year.

Louisiana Schools Self-Insured Group is an association of Parish Public School Boards in the state of Louisiana who pool their funds to purchase certain types of insurance coverage. The Group was originally formed in May 2004 providing casualty coverage. The casualty fund has a membership of eleven school boards.

Financial Highlights

| | Fiscal Year | | |
|-------------------|--------------------|--------------------|--------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Cash | \$ 40,748 | \$ 44,493 | \$ 48,239 |
| Prepaid expenses | 750,623 | 709,629 | 717,423 |
| Unearned premiums | 750,623 | 709,629 | 717,423 |
| Net assets | 40,748 | 44,493 | 48,239 |

The balance sheet for the Group reflects prepaid insurance premiums and unearned revenue in the amount of \$750,623 and \$709,629 as of June 30, 2012 and 2011, respectively. Because individual members within the Group have policies that expire at dates other than the fiscal year end of the fund (June 30), this amount represents premiums that were paid into the fund that had not yet been earned. Should those policies be canceled as of the fiscal year end of the fund, those unearned premiums would be returned to the members whose policies expire at a date subsequent to the fund's year end.

| | Fiscal Year | | |
|-------------------------------------|--------------------|--------------------|--------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Premium income | \$3,091,608 | \$3,133,409 | \$2,848,221 |
| Insurance policies purchased | 3,091,608 | 3,133,409 | 2,848,221 |
| Investment income | 5 | 4 | 4 |
| Administrative fees | — | — | 21,000 |
| General and administrative expenses | 3,750 | 3,750 | 6,221 |
| Change in net assets | (3,745) | (3,746) | 14,783 |

Premium income and premiums ceded were approximately \$3.1 million for 2012 and 2011. There was no significant change in premiums from the prior year.

**Louisiana Schools Self-Insured Group
Management's Discussion and Analysis
June 30, 2012**

Basic Financial Statements

The basic financial statements are presented in accordance with Government Accounting Standards Board (GASB) accounting principles and include the balance sheets, statements of revenues, expenses and change in net assets, and statements of cash flows.

The balance sheets present the assets and liabilities of the Group. The difference between total assets and liabilities is represented as net assets and is an indicator of the surplus generated by the Group for all years of operation including being reduced by dividends that have been distributed to members. The change in net assets can be a useful measure of whether the financial position of the Group is improving or deteriorating.

The statements of revenues, expenses and change in net assets present the results of the Group's operations for its fiscal years. These statements show the revenues generated along with the associated expenses. The revenues in excess of expenses are represented as the change in net assets from one year to another.

The statements of cash flows present information showing the Group's sources and uses of cash and cash equivalents throughout the fiscal year.

Requests for Information

This financial report is intended to provide a general overview of Louisiana School's Self-Insured Group for interested parties. Questions concerning information provided herein, or requests for additional financial information should be addressed to the Group's Insurance Administrator at:

Louisiana School's Self-Insured Group
Attn: Arthur J. Gallagher
Risk Management Services, Inc.
235 Highlandia Drive, Suite 200
Baton Rouge, Louisiana 70810

Louisiana Schools Self-Insured Group
Balance Sheets
June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|----------------------------------|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 40,748 | \$ 44,493 |
| Prepaid expenses | <u>750,623</u> | <u>709,629</u> |
| Total assets | <u><u>\$791,371</u></u> | <u><u>\$754,122</u></u> |
| Liabilities | | |
| Unearned premiums | \$750,623 | \$709,629 |
| Net Assets - Unrestricted | <u>40,748</u> | <u>44,493</u> |
| Total liabilities and net assets | <u><u>\$791,371</u></u> | <u><u>\$754,122</u></u> |

The accompanying notes are an integral part of these financial statements.

Louisiana Schools Self-Insured Group
Statements of Revenues, Expenses and Change in Net Assets
Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|----------------------------------|------------------|------------------|
| Revenues | | |
| Premiums earned | \$3,091,608 | \$3,133,409 |
| Investment income | <u>5</u> | <u>4</u> |
| Total revenues | <u>3,091,613</u> | <u>3,133,413</u> |
| Expenses | | |
| Insurance policies purchased | 3,091,608 | 3,133,409 |
| General and administrative | <u>3,750</u> | <u>3,750</u> |
| Total expenses | <u>3,095,358</u> | <u>3,137,159</u> |
| Change in Net Assets | (3,745) | (3,746) |
| Net Assets - Unrestricted | | |
| Beginning of year | <u>44,493</u> | <u>48,239</u> |
| End of year | <u>\$ 40,748</u> | <u>\$ 44,493</u> |

The accompanying notes are an integral part of these financial statements.

Louisiana Schools Self-Insured Group
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | |
| Premiums received | \$ 3,132,602 | \$ 3,125,615 |
| Premiums paid | (3,132,602) | (3,125,615) |
| Investment activity | 5 | 4 |
| General and administrative expenses | <u>(3,750)</u> | <u>(3,750)</u> |
| Net cash used in operating activities | <u>(3,745)</u> | <u>(3,746)</u> |
| Net Decrease in Cash and Cash Equivalents | (3,745) | (3,746) |
| Cash and Cash Equivalents, beginning of year | <u>44,493</u> | <u>48,239</u> |
| Cash and Cash Equivalents, end of year | <u>\$ 40,748</u> | <u>\$ 44,493</u> |

Reconciliation of Change in Net Assets to Net Cash

Used in Operating Activities

| | | |
|--|--------------------------|--------------------------|
| Change in net assets | \$ (3,745) | \$ (3,746) |
| Adjustments to reconcile change in net assets to net cash used in operations | | |
| (Increase) Decrease in prepaid expenses | (40,994) | 7,794 |
| Increase (Decrease) in unearned premiums | <u>40,994</u> | <u>(7,794)</u> |
| Net cash used in operating activities | <u>\$ (3,745)</u> | <u>\$ (3,746)</u> |

The accompanying notes are an integral part of these financial statements.

Louisiana Schools Self-Insured Group
Notes to Financial Statements
June 30, 2012

Background Information on Public Entity Risk Pools

In April 1984, the Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local entities.

In November 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February 1996, the GASB issued Statement No. 30 "Risk Financing Omnibus, An Amendment of GASB Statement No. 10."

A "public entity risk pool" is defined in GASB Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-sharing pool

An arrangement by which governments pool risks and funds and share in the control of losses.

Insurance-purchasing pool

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

Banking pool

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

Claims-servicing or account pool

An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

Louisiana Schools Self-Insured Group ("the Group") is an insurance-purchasing pool.

Participation in the Group is open to all public school boards, subject to approval by Louisiana Schools Self-Insured Group's Insurance Committee. These public school boards joined together to acquire, on behalf of the member schools, a program of inter-local risk management to obtain lower costs for that coverage.

In 1979, the Louisiana Legislature enacted Louisiana Revised Statutes (LRS) 33:1341 authorizing local governmental subdivisions to administer inter-local risk management agencies (IRMAs). In July 1986, the Louisiana Legislature enacted LRS 33:3061, specifically allowing school systems to create IRMAs for the purpose of creating and establishing group self-insurance funds. Louisiana Schools Self-Insured Group is an IRMA created for Louisiana public K-12 school systems and is incorporated as a non-profit corporation under the laws of the State of Louisiana.

Louisiana Schools Self-Insured Group
Notes to Financial Statements
June 30, 2012

Note 1-Summary of Significant Accounting Policies

A. Basis of Accounting

The Group is considered an enterprise fund and, accordingly, uses the accrual method of accounting. Revenues are recorded as they are earned and expenses are recorded as they are incurred.

B. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Group considers all funds on deposit with financial institutions to be cash equivalents.

C. Premium Income

Premiums are recognized as income over the life of the policies as they are earned.

D. Income Taxes

The Group is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code, and does not file tax returns with any federal, state, or local taxing authorities.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2-Cash and Cash Equivalents

The bank balances as of June 30, 2012 and 2011 were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Note 3-Administration

All transactions of the Group are administered by Arthur J. Gallagher Risk Management Services, Inc. There were no Pool Administration fees charged by the Group for the years ended June 30, 2012 and 2011.

Note 4-Subsequent Events

The Group evaluated all subsequent events through December 20, 2012, the date the financial statements were available to be issued. As a result, the Group noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

December 20, 2012

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*.**

Insurance Committee
Louisiana Schools Self-Insured Group
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Schools Self-Insured Group (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Louisiana Schools Self-Insured Group is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisiana Schools Self-Insured Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Schools Self-Insured Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Schools Self-Insured Group's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Schools Self-Insured Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the insurance committee, management, the Louisiana Legislative Auditor and the Louisiana Insurance Commissioner and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Wagnon & Carroll, L.L.P.

Louisiana Schools Self-Insured Group
Schedule of Current Year Audit Findings and Questioned Costs
June 30, 2012

Findings - Financial Statement Audit

None.

Louisiana Schools Self-Insured Group
Schedule of Prior Year Audit Findings and Questioned Costs
June 30, 2012

Findings - Financial Statement Audit

None.